

Message Text

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SSO-00 INRE-00 /069 W

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O R 091045Z APR 75

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 5012

INFO AMEMBASSY BANGKOK

AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMEMBASSY JAKARTA

AMEMBASSY PAIRS

AMEMBASSY SEOUL

AMEMBASSY TOKYO

USIA WASHDC

USDEL JEC PARIS

CIA

DIA

JCS

JUSMAAG

WHITE HOUSE

USAJFKCMA/ATCS-WL-DSA

CINCPAC/POLAD

CINCPACAF

CINCPACFLT

USDAO SGN

AMEMBASSY LONDON

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY PHNOM PENH

AMEMBASSY STOCKHOLM

AMEMBASSY VIENTIANE

AMEMBASSY WARSAW

AMEMBASSY WELLINGTON

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C O N F I D E N T I A L SECTION 1 OF 4 SAIGON 4615

CINCPAC FOR POLAD

DEPT PASS IMMEDIATE IBS/NCA

WEEKA ITEMS

--SENATE DEBATE ON STATE OF NATION

--MINISTRY OF INTERIOR ISSUES STATEMENT RE "PLOTTERS"

--SAIGON ARCHBISHOP CALLS FOR LEADERSHIP CHANGE

--"BIG" MINH INTERVIEW WITH AFP

--FORMER SENATE CHAIRMAN CALLS FOR THIEU RESIGNATION

--PRESIDENT THIEU ADDRESSED NATION APRIL 4

--NGUYEN BA CAN TO FORM CABINET

--NATIONAL ASSEMBLY OPENS SPRING SESSION

--BOMBING OF PRESIDENTIAL PALACE

--SOME TOUGHER DRAFT MEASURES REVOKED

--STATE OF MARTIAL LAW REITERATED AND PEDICABS BAANED IN SAIGON

--FOREIGN MINISTER TO VISIT SAUDI ARABIA

--ZAIRE-"PRG" RELATIONS

--DEPUTY PRIME MINISTER RETURNS FROM AFRICA

--CONTINUED CONTRACTION OF ECONOMIC ACTIVITY

--FOOD PRICES UP

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--GOLD AND DOLLAR MARKET SOFTEN

I. INTERNAL

A. SENATE DEBATE ON STATE OF NATION

AN EXTRAORDINARY PLENARY SESSION OF THE SENATE WAS
CONVENED ON APRIL 2 BY CHAIRMAN TRAN VAN LAM. SENATORS
VOTED UNANIMOUSLY TO SET ASIDE OTHER BUSINESS TO CONSIDER
STATE OF THE NATION. TWENTY SENATORS ADDRESSED SUBJECT

IN FORTHRIGHT MANNER ARGUING THAT NATION FACES CRITICAL SITUATION OF HISTORIC PROPORTIONS BROUGHT ABOUT BY MASSIVE NVN MILITARY ATTACKS AGAINST RVN IN BLATANT AND SYSTEMATIC VIOLATIONS OF PARIS AGREEMENT. ALMOST ALL SENATORS REVIEWED MILITARY SITUATION AND RECENT TERRITORIAL LOSSES AND CHARGED THAT US WAS RENEGING ON PROMISE TO ASSIST RVN. MANY SPEECHES WERE CRITICAL OF GVN BUT, WITH EXCEPTION OF FOUR OPPOSITION SENATORS, ALL STOPPED SHORT OF CALLING FOR RESIGNATION OF PRESIDENT THIEU.

AT CLOSE OF SESSION FINAL RESOLUTION, APPROVED UNANIMOUSLY BY 41 SENTAROS IN ATTENDANCE, CRITICIZED GVN FOR SEEKING PURELY MILITARY SOLUTION AND FOR NOT MARSHALLING SUPPORT OF PEOPLE. IT ALSO CALLED FOR "NEW DIRECTION TO SETTLE THE WAR AND NEW LEADERSHIP". THIS WAS INTERPRETED BY MANY VIETNAMESE TO BE A CALL FOR A CHANGE IN THE PRESIDENCY WHILE OTHERS SAW IT AS A CALL FOR A NEW PRIME MINISTER. THE RESOLUTION HAS ALSO BEEN GIVEN VARYING INTERPRETATIONS BY THOSE PRESENT AT THE SESSION. THE LEADERS OF THE TWO PRO-GOVERNMENT SENATE BLOCS, TRAN MINH TUNG AND NUYNH VAN CAO, ISSUED A "CLARIFICATION" TO AVERT MISINTERPRETATIONS CONCERNING THE SPIRIT OF THE RESOLUTION. THEY TRANSLATED THE KEY PHRASE AS "DEMANDING A NEW POLICY OF LEADERSHIP". EMBASSY CONTACTS INDICATE, HOWEVER, THAT NUMEROUS MEMBERS OF THE SENATE INCLUDING MEMBERS OF THE TWO BLOCS DO NOT AGREE WITH THEIR LEADERS' INTERPRETATION.

B. MINISTRY OF INTERIOR ISSUES STATEMENT RE "PLOTTERS"

THE MINISTRY OF INTERIOR ON APRIL 4 ISSUED A STATEMENT ACCUSING "A NUMBER OF SHORT-SIGHTED ELEMENTS" OF HAVING EXPLOITED THE "CONFUSED MILITARY OF THEIR FELLOW COMPATRIOTS TO AGITATE AND CREATE CHAOS IN THE REAR FRONT IN ORDER TO SUPPORT A MILITARY COUP D'ETAT TO SATISFY THEIR CONFIDENTIAL

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OWN AMBITION." MOI ANNOUNCEMENT STATED THAT "THE PLOTTERS HAVE BEEN ARRESTED BY SECURITY AGENCIES AND AN INVESTIGATION IS UNDERWAY".

POLICE SOURCES INFORMED THE EMBASSY THAT SIX INDIVIDUALS WERE ARRESTED, INCLUDING FORMER ADVISOR TO THE PRESIDENT, NGUYEN VAN NGAN. OTHERS ARRESTED, ACCORDING TO POLICE, WERE NGUYEN THIEN NHON, EX-ASSISTANT TO NGUYEN CAO KY; HUYNH THANH VI, HEAD OF THE VIETNAMESE JOURNALISTS UNION AND ASSOCIATE OF DR. TRAN KIM TUYEN; HOANG DINH XUONG, EX-SECRETARY OF THE UPPER HOUSE; NGUYEN HOANG TRUC, A LEFTIST; AND LYONG LE DONG, LEFTIST PROFESSOR. COMMENT: WE UNDERSTAND NGAN, WHO HAS ONLY RECENTLY RETURNED FROM QUASI-EXILE IN CANADA, WAS ACTIVELY INVOLVED IN ADVISING DISSIDENT MEMBERS AMONG THE PRO-GOVERNMENT SENATORS WITH RESPECT TO THE STATE RESOLUTION.

C. SAIGON ARCHBISHOP CALLS FOR LEADERSHIP CHANGE

SAIGON ARCHBISHOP NGUYEN VAN BINH APRIL 3RD ISSUED A MIMEOGRAPHED STATEMENT CALLING FOR PRESIDENT THIEU TO "RESPOND TO THE PEOPLE'S WISH AND TO THE APPEAL OF THE SENATE FOR A CHANGE IN LEADERSHIP". BINH HAD TOLD US SHORTLY BEFORE STATEMENT RELEASED THAT HE WAS UNDER STRONG PRESSURE FROM SOME CATHOLIC LEADERS TO SPEAK OUT IN PRESENT CRISIS. HE SAID THAT HE HIMSELF WAS NOT ALTOGETHER SURE THAT THIEU SHOULD RESIGN AND NOTED THAT HE WAS USING SENATE'S AMBIGUOUS CALL FOR CHANGE IN "LEADERSHIP". HE COMMENTED THAT HIS STATEMENT WOULD CARRY ONLY HIS OWN NAME AND WOULD NOT BE MADE ON BEHALF OF OTHER VIETNAMESE BISHOPS, WHO WOULD THEN BE FREE TO SUPPORT HIS APPEAL OR NOT AS THEY WISHED.

D. "BIG" MINH INTERVIEW WITH AFP

IN AN INTERVIEW WITH SAIGON AFP BUREAU CHIEF, GENERAL DUONG VAN MINH SAID APRIL 1ST THAT PRESIDENT THIEU SHOULD STEP DOWN, ALLEGING THIEU'S "GROWING UNPOPULARITY IN THE MILITARY CIRCLES WHICH UP TO (RECENTLY) HAD TRUSTED HIM". HE SAID MANY TOP-RANKING OFFICERS SUSPECT A SECRET DEAL BETWEEN PRESIDENT THIEU AND THE AMERICANS, ON THE ONE HAND, AND THE COMMUNISTS, ON THE OTHER. WHAT IS NEEDED NOW, SAID MINH, IS A NEW, CLEAN GOVERNMENT. HE SAID THERE MUST BE NEGOTIATIONS "AS SOON AS POSSIBLE" AND EXPRESSED THE OPINION THAT THE BIG POWERS, PARTICULARLY THOSE WHO SIGNED THE PARIS AGREEMENT, STILL HAD "RESPONSIBILITIES" CONFIDENTIAL

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IN INDOCHINA. MINH SAID THAT FRANCE, THE COUNTRY BEST PLACED TO SPEAK TO RUSSIA AND COMMUNIST CHINA, HAS A "MISSION" TO FULFILL IN HELPING THE VIETNAMESE SIDES TO ARRIVE AT A SETTLEMENT.

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SSO-00 INRE-00 /069 W

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O R 091045Z APR 75
FM AMEMBASSY SAIGON
TO SECSTATE WASHDC IMMEDIATE 5013
INFO AMEMBASSY BANGKOK
AMCONSUL BIEN HOA
AMCONSUL CAN THO
AMEMBASSY JAKARTA
AMEMBASSY PARIS
AMEMBASSY SEOUL
AMEMBASSY TOKYO
USIA WASHDC
USDEL JEC PARIS
CIA
DIA
JCS
JUSMAAG
WHITE HOUSE
USAJFKCMA/ATCS-WL-DSA
CINCPAC/POLAD
CINCPACAF
CINCPACFLT
USDAO SGN
AMEMBASSY LONDON
AMEMBASSY BUDAPEST
AMEMBASSY CANBERRA
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C O N F I D E N T I A L SECTION 2 OF 4 SAIGON 4615

DEPT PASS IMMEDIATE IBS/NCA

E. FORMER SENATE CHAIRMAN CALLS FOR THIEU RESIGNATION

TWO DAYS AFTER THE SENATE APPROVED A STATE OF THE NATION
RESOLUTION ON APR 2 (SAIGON 4094) CALLING FOR AN URGENT SETTLEMENT
OF THE WAR AND NEW LEADERSHIP, FORMER SENATE CHRM AND LEADING LAY
CATHOLIC POLITICAL FIGURE NGUYEN VAN HUYEN, ISSUED A PROCLAMATION
"PRAISING THE RESOLUTION OF THE 41 SENATORS" AND APPEALING TO
PRES NGUYEN VAN THEU TO "RESPOND IN A TIMELY MANNER TO THE

WISHES OF THE PEOPLE". HUYEN'S STATEMENT CONTENDS THAT "THE RESIGNATION OF THE PRES WILL RESTORE CONFIDENCE AND CREATE THE CONDITIONS FAVORABLE TO NATIONAL UNITY..." AND CONCLUDES WITH EXPRESSION OF HOPE THAT "IN THIS WAY" THE UN AND OTHER NATIONS, ESPECIALLY THE SIGNATORIES OF THE PARIS AGREEMENT, WILL PROVIDE POSITIVE SUPPORT FOR THE RVN.

F. PRESIDENT THIEU ADDRESSED NATION APRIL 4

IN HIS MOST DETAILED STATEMENT SINCE THE CURRENT MILITARY OFFENSIVE BEGAN, PRES THIEU ON APR 4 ADDRESSED THE NATION ON THE MILITARY SITUATION OF RECENT WEEKS. DESPITE A VALIANT FIGHT BY RVN FORCES AT BAN ME THUOT, HE SAID, OVERWHELMING SUPERIORITY OF COMMUNIST FORCE MEANT THAT ENTIRE CENTRAL HIGHLANDS HAD TO BE GIVEN UP. IN OTHER PLACES SUCH AS HUE AND QUANG TRI, THE PRES SAID HE ORDERED THAT THEY BE DEFENDED TO THE LAST MAN. HOWEVER, TREMENDOUS ENEMY PRESSURE MADE THAT IMPOSSIBLE. IN COASTAL LOWLANDS, THIEU MAINTAINED THAT SOLDIERS FOUGHT COURAGEOUSLY BUT HAD TO WITHDRAW FROM BINH DINH, THEN PHU YEN AND FINALLY NHA TRANG WAS OVERRUN. THE PRES BLAMED THE FALL OF NHA TRANG ON THE LACK OF LEADERSHIP AND MORALE.

PRES DENIED THAT HE HAD MADE A DEAL WITH COMMUNISTS TO DIVIDE COUNTRY, STATING THAT HE REFUSED TO ACCEPT ANY DEAL WITH COMMUNISTS DURING LAST 10 YEARS; HE SAID HE STILL REJECTED SETTING UP COALITION AND SAID THAT THIS WAS IMMUTABLE POSITION. HE SAID GVN IS PREPARED TO RETURN TO THE NEGOTIATING TABLE AT PARIS WITHOUT PRECONDITIONS. HOWEVER, HE MAINTAINED THAT AS LONG AS COMMUNISTS

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WERE ATTACKING, RVN WOULD FIGHT BACK. HE ALSO SAID HE WAS PREPARED TO DISCUSS SETTING UP COUNCIL OF NATIONAL RECONCILIATION, GENERAL ELECTIONS AND ANYTHING COVERED BY PARIS AGREEMENT BUT THE COMMUNISTS MUST NOT CONTINUE TO USE FORCE AS THEY HAVE IN LAST TWO YEARS.

PRES ANNOUNCED THAT PRIME MINISTER KHIEM AND THE ENTIRE CABINET HAD RESIGNED AND HE HAD ACCEPTED THEIR RESIGNATIONS. EXTOLLING VIRTUES OF "STRUGGLE GOVT" HE SAID HE HAD ASKED LOWER HOUSE SPEAKER NGUYEN BA CAN TO SET UP NEW CABINET.

HE SAID THAT WHEN RVN SIGNED PARIS AGREEMENT, US PROMISED THAT IT WOULD REACT STRONGLY AND AT SAME TIME PROVIDE MEANS FOR SVN TO PROTECT ITS FREEDOM AND DEMOCRACY IN EVENT OF NVN ATTACK. PRES CHARGED, HOWEVER, THAT SINCE PARIS AGREEMENT, THIS PROMISE HAS NOT BEEN KEPT.

COMMENT: THE SPEECH WAS DELIVERED IN A STRONG AND FORCEFUL FASHION WITH SEVERAL POINTS AT WHICH THE PRES EXHIBITED EMOTION IN DISCUSSING THE EVENTS OF THE RECENT NVA OFFENSIVE. THE

SPEECH WAS A MUCH MORE DETAILED AND FRANKER EXPLANATION OF EVENTS THAN ANYTHING OFFERED BY THE GOVT SINCE THE INITIATION OF THE OFFENSIVE. REACTIONS TO THE SPEECH TENDED TO REFLECT THE VIEW-POINT OF THE LISTENER. THUS, SOME FOUND THIEU'S RELATIVELY FULL EXPLANATION OF WHAT HAPPENED IN THE HIGHLANDS TO BE BELIEVEABLE AND VERY WELCOME. OTHERS CRITICIZED THE FACT THAT THE PRES LAID A GOOD MEASURE OF THE BLAME FOR THE DEBACLE ON LOCAL COMMANDERS AND FAILED TO ADMIT ANY FAILURE ON HIS OWN PART. MANY DOUBTED HIS ASSERTIONS THAT THE ARVN WOULD RETURN EVENTUALLY TO THE LOST TERRITORIES.

G. NGUYEN BA CAN TO FORM CABINET

THE WIDESPREAD REACTION TO THE APPOINTMENT OF LOWER HOUSE SPEAKER NGUYEN BA CAN TO FORM A NEW CABINET WAS TO QUESTION HIS ABILITIES AND CRITICIZE HIS OVERLY CLOSE POLITICAL IDENTIFICATION WITH PRES THIEU AS INDICATING THE PRES PERSISTS IN AN UNWILLINGNESS TO DELEGATE HIS POWERS MORE WIDELY. REPORTEDLY, CAN PLANS BOTH A CABINET, LARGELY MADE UP OF TECHNOCRATS, AND AN ADVISORY COUNCIL OF POLITICAL AND RELIGIOUS LUMINARIES. THE PRIME MINISTER DESIGNATE HAS BEEN ENGAGING IN A WIDE RANGE OF TALKS, INCLUDING CONFIDENTIAL

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DISCUSSIONS WITH MANY OPPOSITION LEADERS. IT IS STILL TOO EARLY TO SAY WHETHER CAN WILL BE ABLE TO OVERCOME THE INITIAL RELUCTANCE OF THE OPPOSITION TO JOIN IN HIS GOVT BUT HE APPEARS TO BE MAKING A REAL EFFORT IN THIS DIRECTION AT LEAST WITH SOME OPPOSITION GROUPS. CAN, A FORMER WORKER FARMER PARTY MEMBER IS RECEIVING CONSIDERABLE ASSISTANCE FROM CVT LEADER TRAN QUOC BUU IN HIS EFFORTS TO PUT TOGETHER A CABINET.

H. NATIONAL ASSEMBLY OPENS SPRING SESSION

THE NATIONAL ASSEMBLY HELD INAUGURAL MEETINGS OF 1975 FIRST REGULAR SESSION ON APR 7. SENATE CHRM TRAN VAN LAM, IN AN OPENING ADDRESS, CALLED UPON NATIONALISTS TO UNITE CLOSELY AND TO FORGET ALL PETTY RIVALRIES FOR NATIONAL SALVATION. SENATOR LAM REVIEWED THE NVN SYSTEMATIC VIOLATIONS OF THE PARIS AGREEMENT. HE EMPHASIZED THAT BLAME SHOULD NOT BE PLACED ON SVN ARMED FORCES FOR EVACUATION AREAS OF CENTRAL VEITNAM, "THE RVN MILITARYMEN AND CIVILIANS ARE THE BRAVE ONES...THEY WILL NEVER CHANGE IN THEIR DETERMINATION TO FIGHT FOR THE FREEDOM OF THE NATION." HE ADDED, THE DETENTE POLICY BETWEEN EAST AND WEST, WHICH RESULTED IN THE REORGANIZATION OF WORLD POLICIES, ALONG WITH THE WITHDRAWAL OF US FORCES FROM SVN HAVE PRODUCED COINCIDENTALLY THE MOST ADVANTAGEOUS STRATEGY FAVORED BY THE NVN COMMUNISTS....REDUCED MILITARY AID HAS TIED OUR HANDS AND SIGNIFICANTLY REDUCED THE FIGHTING CAPABILITY ON OUR PART....THE FREE WORLD CANNOT DEMAND THAT WE BE SELF-SUFFICIENT IN THE STRUGGLE, FOR THE MAJOR POWERS IN EUROPE AND EVEN THE RUSSIANS HAD TO BE GIVEN MILITARY AID IN

WORLD WAR II."

FOLLOWING HIS SPEECH LAM ANNOUNCED THAT DURING THE PRESENT SESSION SEVEN BILLS WILL BE CONSIDERED BY THE UPPER HOUSE. THESE BILLS RELATE TO SVN TERRITORIAL WATERS, NATIONAL SOCIAL SECURITY FUND, MODIFICATION OF THE POLITICAL PARTY STATUTE, MODIFICATION OF THE PRESS CODE, ENTERTAINMENT TAX AND INCOME TAX.

SPEAKER NGUYEN BA CAN IN THE LOWER HOUSE STATED THAT THE SURVIVAL OF THE NATION IS NOT THE MERE RESPONSIBILITY OF THE EXECUTIVE BUT THE COMMON TASK OF THE WHOLE PEOPLE. THE SPEAKERS' REMARKS CLOSELY FOLLOWED THE THEME OF CHRM LAM IN REFERRING TO COMMUNIST FAILURE TO IMPLEMENT THE PARIS AGREEMENT
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AND THE HEROIC RESISTANCE OF THE SVN ARMED FORCES AND PEOPLE.

CAN ALSO ANNOUNCED THAT HE HAD ACCEPTED PRES THIEU'S REQUEST TO FORM A NEW CABINET (SEE ABOVE ITEM). IN THIS ENDEAVOR, HE REQUESTED THE COOPERATION OF LOWER HOUSE DEPUTIES.

PRES THIEU SENT A SIMILAR ANNOUNCEMENT TO BOTH HOUSES OF THE LEGISLATURE IN WHICH HE WISHED THEM SUCCESS IN THEIR DE-LIBERATIONS AND ANNOUNCED THAT HE WOULD SPEAK TO THE NATIONAL ASSEMBLY ON THE NATIONAL SITUATION AND GOVERNMENT POLICY.

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SSO-00 INRE-00 /069 W

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O R 091045Z APR 75

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 5014
INFO AMEMBASSY BANGKOK
AMCONSUL BIEN HOA
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C O N F I D E N T I A L SECTION 3 OF 4 SAIGON 4615

DEPT PASS IMMEDIATE IBS/NCA

CINCPAC FOR POLAD

I. BOMBING OF PRESIDENTIAL PALACE

AT ROUGHLY 8:30 A.M. APRIL 8 ONE F-5 MADE TWO PASSES OVER THE INDEPENDENCE PALACE DROPPING BOMBS WHICH IMPACTED SOME 30 METERS FROM THE BUILDING ITSELF. THE PRESIDENT WAS UNHURT. ALTHOUGH A FEW STAFF MEMBERS WERE INJURED BY FLYING GLASS, DAMAGE WAS NEGLIGIBLE. THE PILOT, WHO WAS CLEARED OUT OF BIEN HOA ON A NORMAL BOMBING RUN, DEPARTED FOR PLACES UNKNOWN. AFTER A CURFEW UNTIL 3:00 P.M. WAS PUT INTO EFFECT, CURIOUS CROWDS CLEARED THE STREETS WITHOUT ANY INCIDENTS OTHER THAN A FEW TRAFFIC JAMS.

THE PRESIDENT APPEARED ON NATIONAL TELEVISION SHORTLY AFTER

THE INCIDENT TO REASSURE THE PEOPLE THAT HE WAS ALLRIGHT (SAIGON 4470). HE DENIED THAT THE INCIDENT WAS PART OF A COUP ATTEMPT SUPPORTED BY ARVN ELEMENTS. INSTEAD HE BLAMED IT ON A "GROUP OF PEOPLE" WHO FOR SEVERAL DAYS HAD BEEN DEMANDING THE OVERTHROW OF THE CONSTITUTIONAL REGIME"REGIME" BY A COUP TO ACHIEVE THEIR POLITICAL OLUTION. AFFIRMUNG HIS BELIEF THAT THIS GROUP WHICH WANTS TO KILL HIM HAS NOT SUCCEEDED IN GAINING THE SUPPORT OF THE PEOPLE AND ARMED FORCES, HE REASSERTED HIS DETERMINATION TO CONTINUE AS LEADER OF THE COUNTRY.

THE SEMI-OFFICIAL VIET NAM PRESS THE NEXT DAY CARRIED ARTICLES SAYINO THAT CHIEF OF STAFF, GENERAL CAO VAN VIEN AND VNAF COMMANDER LT. GEN. TRAN VAN MINH DEPLORED THE INCIDENT AS AN ISOLATED ABBERATION AUTHORED BY ONE INDIVIDUAL PILOT ACTING ALONE. VIET NAM PRESS ADDITIONALLY REPORTED THAT NGUYEN CAO KY HAD DISTRIBUTED A COMMUNIQUE TO ALL FOREIGN NEWS AGENCIES SAYING THAT HE HAD NO ADVANCE KNOWLEDGE OF THE INCIDENT AND DEPLORING ANY UNCONSTITUTIONAL COUP MOVE AS SOMETHING WHICH CAN ONLY BENEFIT THE COMMUNISTS.

COMMENT: EMBASSY HAS NO INDICATIONS OF INVOLVEMENT OF OTHERS IN BOMBING INCIDENT BUT UNDERSTANDS THAT SOME FURTHER ARRESTS HAVE BEEN MADE BY GVN AND OTHERS MAY BE PENDING.

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J. SOME TOUGHER DRAFT MEASURES REVOKED

THE GOVERNMENT HAS DECIDED NOT TO TRY TO ENFORCE ALL OF ITS ANNOUNCED NEW DRAFT MEASUYES SCHEDULED TO BEGIN FOING INTO EFFECT APRIL 1ST. AMONG THE MEASURES WHICH HAVE BEEN REPEALED OR DELAYED SO FAR ARE:

-- FRESHMAN, SOPHOMORE AND JUNIOR UNIVERSITY STU- DENTS BORN AFTER 1955 WHO WERE TO HAVE BEEN DRAFTED FROM APRIL 1 - MAY 15 WILL BE ALLOWED TO FINISH THE SCHOOL YEAR. THIS SHOULD AFFECT SOME 7,000 STUDENTS AND HOPEFULLY OLWER TENSION ON SAIGON CAMPUSES.

-- EXCEPT FOR THE 12TH GRADE, ALL PRIMARY AND SECONDARY SCHOOLS WILL CLOSE FOR VACATION IN APRIL, TWO MONTHS EARLIER THAN USUAL. (COMMENT: ENDING HIGH SCHOOL SESSIONS IN APRIL MAY BE AIMED IN PART AT PRECLUDING OR- GANIZED RESISTANCE FROM AN ESTIMATED 14,000 18 YEAR OLD 9TH-11TH GRADE STUDENTS WHO ARE SCHEDULED TO BE DRAFTED IN JUNE.)

-- AN ESTIMATED 21,000 18-20 YEAR OLD NOVICE MONKS AND SEMINARIANS ETC., WHO WERE TO HAVE BEEN DRAFTED FROM APRIL 16 - MAY 31 GOT A REPRIEVE WHEN THE GOVERNMENT SUS- PENDED ITS ORDER WITHOUTHSETTING A NEW DRAFT DATE; (COMMENT: OPPOSITION TO ABOLISHING ALL RELIGIOUS DEFERMENT FOR 18-20 YEAR OLDS WAS PARTICULARLY STRONG AMONG AN QUANG BUDDHISTS WHO ANNOUNCED PLANS FOR OPEN RESISTANCE. IN VIEW OF THE OFFENSIVE AND REVOCATION OF SOME OF THE NEW

DRAFT MEASURES, GVN DRAFT EXPERTS ARE PESSIMISTIC ABOUT THE POSSIBILITY OF TAPPING ANY SUBSTANTIAL ADDITIONAL RESERVOIRS OF MANPOWER AT THE PRESENT.

K. STATE OF MARTIAL LAW REITERATED AND PEDICABS

BANNED IN SAIGON

THE MINISTRY OF INTERIOR WAS REPORTED IN A PRO-GOVERNMENT NEWSPAPER AS UNDERSCORING THE CONTINUED EXISTENCE OF A STATE OF MARTIAL LAW THROUGHOUT THE COUNTRY DURING WHICH THE FOLLOWING ARE BANNED: DEMONSTRATIONS, STRIKES, LOCKOUTS, CURFEW VIOLATIONS, SPREADING RUMORS OR PROPAGANDA HARMFUL TO NATIONAL SECURITY, POSSESSION OF ILLEGAL WEAPONS (SAIGON 4479).

THE MINISTRIES' APRIL 2 BAN ON ALL PEDICABS IN SAIGON FOR REASONS OF SECURITY HAS ALSO TAKEN EFFECT AND NONE ARE TO BE SEEN ON THE STREETS OF THE CITY.

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II. EXTERNAL

A. FOREIGN MINISTER TO VISIT SAUDI ARABIA

FOREIGN MINISTER VUONG VAN BAC LEFT SAIGON APRIL 9 FOR A VISIT TO SAUDI ARABIA WHICH WILL INCLUDE AN AUDIENCE WITH KING KHALID APRIL 12.

B. ZAIRE-"PRG" RELATIONS

"PRG FOREIGN MINISTER" NGUYEN THI BINH ARRIVED ZAIRE APRIL 4 AND A JOINT COMMUNIQUE ISSUED APRIL 5 INDICATED TWO SIDES HAD AGREED TO ESTABLISH DIPLOMATIC RELATIONS AND THE AMBASSADORIAL LEVEL. GVN IS AWAITING FULL REPORT FROM ITS AMBASSADOR ON SITUATION BEFORE TAKING DECISION ON BREAKING RELATIONS.

C. DEPUTY PRIME MINISTER RETURNS FROM AFRICA

DEPUTY PRIME MINISTER TRAN VAN DON RETURNED TO SAIGON APRIL 5 AFTER VISITING ZAIRE, UPPER VOLTA, NIGER AND LIBERIA.

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AMEMBASSY TOKYO

USIA WASHDC

USDEL JEC PARIS

CIA

DIA

JCS

JUSMAAG

WHITE HOUSE

USAJFKCMA/ATCS-WL-DSA

CINCPAC/POLAD

CINCPACAF

CINCPACFLT

USDAO SGN

AMEMBASSY LONDON

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY PHNOM PENH

AMEMBASSY STOCKHOLM

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DEPT PASS IMMEDIATE IBS/NCA

III. ECONOMIC

A. CONTINUED CONTRACTION OF ECONOMIC ACTIVITY

ECONOMIC ACTIVITY CONTINUED TO CONTRACT DURING THE FIRST WEEK OF APRIL, THOUGH THE RUSH TO LIQUIDITY THAT HAD CHARACTERIZED THE PREVIOUS TWO WEEKS SEEMED TO ABATE.

FOLLOWING WITHDRAWAL ON APRIL 2 OF TWO OIL EXPLORATION RIGS FROM VIET NAM'S COASTAL WATERS, AMERICAN OFFICERS OF THE THREE AMERICAN BANK BRANCHES -- BANK OF AMERICA, CHASE MANHATTAN, AND FIRST NATIONAL CITY -- LEFT THE COUNTRY. LOCAL NATIONAL EMPLOYEES CONTINUE TO RUN BRANCH OPERATIONS, THOUGH FOREIGN EXCHANGE TRANSACTIONS ARE REPORTEDLY RESTRICTED. THE LATEST COUNT SHOWS 171 PRIVATE US BUSINESSMEN AND DEPENDENTS STILL IN COUNTRY, OUT OF 330 WHO WERE HERE A MONTH AGO. AS WITH THE AMERICAN BANKS, MOST OF THE COMPANIES WHICH HAVE LOST AMERICAN OFFICERS CONTINUE TO OPERATE WITH VIETNAMESE STAFFS. FURTHERMORE, FOREIGN TECHNICIANS WORKING WITH LOCAL TEXTILE AND GARMENT CONCERNS HAVE DEPARTED, AS HAVE A FEW PROMINENT VIETNAMESE BUSINESSMEN OF CHINESE ORIGIN. MOST OF THESE BUSINESSMEN ARE LIKELY TO RETURN WHEN MILITARY CONDITIONS STABILIZE.

FOREIGN TRANSPORT TO VIET NAM HAS SLOWED SOMEWHAT. FAA CLOSED SAIGON'S TAN SON NHUT AIRPORT TO AMERICAN COMMERCIAL CARRIERS ON APRIL 5, BUT THE ORDER WAS RESCINDED SHORTLY THEREAFTER, AND PAN AMERICAN CONTINUES TO FLY HERE. MEANWHILE, LLOYD'S OF LONDON INCREASED ITS WAR RISK SURCHARGE FOR SHIPPING FROM \$8.50 PER REVENUE TON TO \$50 LAST WEEK. THE HIGHER RATE WILL HURT THE COMPETITIVE POSITION OF VIETNAMESE SEAFOOD EXPORTS. MOST SHIPPING LINES HAVE EITHER SUSPENDED OPERATIONS IN VIET NAM OR ARE REWORKING SHIPPING SCHEDULES. HOWEVER, THE LARGEST OPERATOR, SEALAND, WHICH ACCOUNTS FOR MORE THAN HALF OF SHIPPING HERE, CONTINUES TO OPERATE AND IS CONSIDERING EXPANDING SERVICE.

THE LOSS OF CENTRAN VIET NAM MARKETS, PLUS DECLINING DEMAND IN THE REST OF THE COUNTRY HAS FORCED INDUSTRIAL PRODUCTION CUTBACKS. PRELIMINARY INDICATIONS SUGGEST THAT TEXTILE, BEER AND SOFT DRINK PRODUCTION HAS BEEN PARTICULARLY HARD HIT. THE UNEMPLOYMENT SITUATION WAS FURTHER AGGRAVATED, AT LEAST TEMPORARILY, BY A GVN CONFIDENTIAL

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ORDER BANNING ALL PEDICAB OPERATORS IN SAIGON ON SECURITY GROUNDS. SOME 10,000 PERSONS OPERATING 5,000 CYCLOS WERE IMMEDIATELY AFFECTED.

THE BANKING SYSTEM WEATHERED A TEMPORARY RUN ON DEPOSITS AND LOSS OF BRANCH OPERATIONS IN CENTRAL VIET NAM. NERVOUS CUSTOMERS HAD REPORTEDLY WITHDRAWN MORE THAN VN\$60 BILLION IN ABOUT TWO WEEKS (OVER 15 PER CENT OF TOTAL DEPOSITS). AS OF THIS WEEK, HOWEVER, THE DRAWDOWN HAD ENDED AND DEPOSITS WERE TRICKLING BACK IN. NATIONAL BANK SOURCES SAID THAT COMMERCIAL CREDIT HAS DECLINED SHARPLY IN RECENT WEEKS AS BANKS HAVE CALLED IN LOANS TO OFFSET SHRINKING DEPOSITS.

AS MILITARY ACTIVITY LESSENED IN RECENT DAYS, CONSUMERS SEEMED TO REGAIN THEIR COMPOSURE. BANK WITHDRAWALS ENDED, AND THE GOLD AND FREE DOLLAR MARKETS SOFTENED. (SEE BELOW).

B. FOOD PRICES UP

SEAFOOD AND VEGETABLES LED A 1.9 PERCENT RISE IN USAID'S RETAIL PRICE INDEX FOR THE WEEK ENDED APRIL 7. VEGETABLE PRICES ROSE, AS COMMUNICATIONS BETWEEN DALAT AND SAIGON WERE COMPLETELY DISRUPTED. CABBAGE PRICES WERE UP 76 PERCENT. SHRIMP AND FISH PRICES WERE HIGHER FOLLOWING A ROUNDUP OF DRAFT DODGERS AND DESERTERS IN RACH GIA, WHICH SEVERELY DEPLETED THE RANKS OF FISHERMEN IN THAT KEY PORT. INCREASING MILITARY ACTIVITY IN THE DELTA, CAUSING TRANSPORTATION DELAYS, MAY ALSO HAVE BEEN A FACTOR.

MEDIUM QUALITY RICE PRICES REMAINED UNCHANGED, BUT REPORTS PERSISTED THAT DELTA PADDY PRICES WERE FALLING AS FARMERS DUMPED THEIR PRODUCE ON THE MARKET. NATIONAL FOOD AGENCY (NFA) FIGURES SHOWED A PICK-UP IN DELTA RICE DELIVERIES TO SAIGON DURING EARLY APRIL. NFA'S STOCKS ARE RISING AFTER A LOSS OF ABOUT 80,000 MT TO THE COMMUNISTS IN CENTRAL VIET NAM.

NON-FOOD PRICES WERE STEADY DURING THE WEEK. THE USAID CONSUMER INDEX HAS RISEN 6.2PERCENT THUS FAR THIS YEAR AND 22.7 PERCENT OVER THE PAST TWELVE MONTHS.

C. GOLD AND DOLLAR MARKETS SOFTEN

GOLD AND BLACK MARKET DOLLAR PRICES DROPPED SHARPLY IN TRADING ON APRIL 7. DURING THE PREVIOUS WEEK, THE DOLLAR RATE SOARED TO A HIGH OF VN\$1950/US\$1 FOR \$100 GREEN). AS THE MILITARY SITUATION APPEARED TO STABILIZE, THE RATE FELL TO VN\$1350 ON APRIL 7 AND VN\$1300 ON APRIL 9. GOLD PRICES ALSO CLIMBED LATE LAST WEEK BEFORE SETTLING DOWN TO THE EQUIVALENT OF \$122.88 PER OUNCE ON APRIL 7 (FIGURED AT BLACK MARKET DOLLAR RATE).
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EVER SINCE BLACK MARKET DOLLARS HAVE COMMANDEDA SHARP PREMIUM OVER THE OFFICIAL RATE (VN\$725), GOLD HAS BECOME A BARGAIN IN SAIGON. THE APRIL 7 QUOTE WAS ONE-THIRD BELOW THE HONG KONG PRICE -- \$181.90.
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